Canadian Northern Economic Development Agency

Quarterly Financial Report

For the quarter ended December 31, 2011

Introduction

This quarterly report has been prepared by management as required by section 65.1 of the *Financial Administration Act* and in the form and manner prescribed by the Treasury Board. This quarterly report should be read in conjunction with the Main Estimates and has not been subject to an external audit or review.

The Canadian Northern Economic Development Agency (CanNor) works to create a diversified, sustainable and dynamic economy across Canada's three territories, which contributes to the nation's prosperity. CanNor fosters growth and development in the North by delivering economic and community development programs, coordinating federal efforts around major projects and by aligning the efforts of partners and stakeholders to respond to economic opportunities and challenges in the North.

Further details on CanNor's authorities, mandate and program activities may be found in the Report on Plans and Priorities at: http://www.tbs-sct.gc.ca/rpp/2011-2012/inst/ned/ned01-eng.asp, and in the Main Estimates (Part II) http://www.tbs-sct.gc.ca/est-pre/20112012/me-bpd/docs/me-bpd-eng.pdf.

Basis of Presentation

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes the Canadian Northern Economic Development Agency's spending authorities granted by Parliament and those used by the department consistent with the Main Estimates and Supplementary Estimates B for the 2011-2012 fiscal year. This quarterly report has been prepared using a special purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before moneys can be spent by the Government. Approvals are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory spending authority for specific purposes.

As part of the departmental performance reporting process, the Canadian Northern Economic Development Agency prepares its annual departmental financial statements on a full accrual basis in accordance with Treasury Board accounting policies, which are based on Canadian generally accepted accounting principles for the public sector. However, the spending authorities voted by Parliament remain on an expenditure basis.

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Highlights of fiscal quarter and fiscal year to date (YTD) results

Statement of Authorities

As at December 31, 2011, total authorities available for the year have decreased by $13.5 million from $61.2 million (for 2010-2011) to $47.7 million. This change is a combination of a decrease in the Vote for Contributions ($14.6 million) offset by an increase in the Vote for Net operating expenditures and Budgetary statutory authorities (total of $1.1 million).

The decrease in the Vote for Contributions of $14.6 million is primarily attributable to a decrease of $16.3 million due to the sunsetting of the Community Adjustment Fund and the Recreational Infrastructure Canada Program. These programs were part of Canada's Economic Action Plan (CEAP) and were delivered by the Agency in the North in fiscal years 2009-10 and 2010-11. The decrease was offset by an increase of $1.7 million for the Adult Basic Education program for which funding was received in Supplementary Estimates B.

The authorities used during the third quarter of 2011-12 have decreased by $2.7 million compared to the third quarter of 2010-11. Contributions paid for the quarter were $2.1M less than the previous quarter. This reduction is due to the timing of payments and the end of CEAP. There is a net decrease of $0.65 million in the use of Net Operating authorities and Budgetary statutory authorities compared to the same quarter of the last fiscal year. The decrease is due mainly to a reduction in salary costs as the Agency is moving to a more stable staffing level and a reduction in operating costs related to travel costs and the cost of professional services obtained from outside suppliers.

Statement of Departmental Budgetary Expenditures by Standard Object

Compared to the previous year, total net budgetary expenditures recorded in the quarter ending December 31, 2011 decreased by $2.7 million, from $10.1 million to $7.4 million. This net decrease is mainly attributable to transfer payments, which have decreased by $2.1 million due primarily to the sunsetting of the CEAP programs as mentioned above and the timing of payments for existing programs.

In fiscal year 2011-12, expenditures for personnel for the third quarter are $0.33 million lower than for the same period of last year. This is attributable to lower salary and wages costs for full time and for casual employees as the Agency is moving to a more stable staffing situation. The expenditures for the year to date are higher than last year due to payments of severance benefits totaling approximately $690,000 related to recent collective bargaining agreements, which included provisions allowing employees to request a pay-out of accumulated severance allowances, as well as severance payments made to employees leaving the Agency. These costs are fully reimbursed to the Agency by Treasury Board Secretariat. Expenditures for professional and special services for the third quarter and year to date are lower

than last year and variances to date have generally occurred because of timing differences in payments and the decreased use of services from outside suppliers.

The decrease in transfer payments is primarily attributable to the sunsetting of the Community Adjustment Fund and the Recreational Infrastructure Canada Program as explained above.

Risks and Uncertainties

This Departmental Quarterly Financial Report (QFR) reflects the results of the current fiscal period in relation to the Main Estimates for which full supply was released on June 27, 2011 and Supplementary Estimates B which were passed by the House of Commons on December 5, 2011.

Budget 2010 announced that the operating budgets of departments would be frozen at their 2010-11 levels for the fiscal years 2011-12 and 2012-13. The Agency has taken several measures via savings and efficiency gains to address reductions in order to effectively manage financial and human resources within the context of the operating budget constraint.

CanNor delivers on its mandate in a complex environment. Economic development in the North needs to deal with the exigencies of the climate, remote communities, sparse population, dependence on natural resource extraction and associated challenges, such as underdeveloped infrastructure. The North also represents an area of immense opportunity with significant resource development projects underway and a strong contribution to Canada's gross domestic product.

CanNor has identified the following six key risk areas in the 2011-2012 Reports on Plans and Priorities:

- Operational environment
- Human and knowledge capital
- Alignment with priorities and needs
- Clients, partners and stakeholders
- Public communications
- Legal, statutory and land claims

Further details on these risks and how CanNor plans to manage and mitigate the risks can be found in the Report on Plans and Priorities for the Agency. CanNor monitors expenditures and carries out business planning to ensure that financial risks are mitigated and that program delivery is optimized. Efforts are underway to step up the pace of project review and disbursements of Contribution programs in order to reduce the risk of year end lapses.

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Significant changes in relation to operations, personnel and programs

There is a decrease of $14.6 million in the Vote for Contributions from 2010-11 to 2011-2012, primarily due to the sunsetting of the Community Adjustment Fund and the Recreational Infrastructure Canada Program and an increase related to the Adult Basic Education program.

The President was appointed in the current quarter.

Approved by:

Patrick Borbey President

Yves Robineau c.a., Chief Financial Officer

Ottawa, Canada
February 6, 2012

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STATEMENT OF AUTHORITIES
(unaudited)

(In thousand of dollars)	Fiscal year 2011-2012			Fiscal year 2010-2011		
	Total available for use for the year ending March 31, 2012*	Used during the quarter ended December 31, 2011	Year to date used at quarter-end	Total available for use for the year ending March 31, 2011*	Used during the quarter ended December 31, 2010	Year to date used at quarter-end
Vote 25 - Net Operating	14,799	3,008	7,792	13,710	3,562	8,004
Vote 30 - Transfer Payments	31,755	4,220	5,348	46,312	6,273	8,492
Budgetary statutory authorities	1,195	197	790	1,181	295	787
Total Budgetary authorities	**47,749**	**7,425**	**13,930**	**61,203**	**10,130**	**17,283**
Non-budgetary authorities	0	0	0	0	0	0
Total authorities	**47,749**	**7,425**	**13,930**	**61,203**	**10,130**	**17,283**

* *Includes only Authorities available for use and granted by Parliament at quarter-end.*

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Departmental budgetary expenditures by Standard Object (unaudited)

(In thousand of dollars)	Fiscal year 2011-2012			Fiscal year 2010-2011		
	Planned expenditures for the year ending March 31, 2012	Expended during the quarter ended December 31, 2011	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2011	Expended during the quarter ended December 31, 2010	Year to date used at quarter-end
Expenditures:						
Personnel	8,401	2,411	7,175	8,125	2,740	6,365
Transportation and communications	1,624	153	652	1,633	388	857
Information	32	7	9	122	26	56
Professional and special services	2,880	210	266	2,575	496	1,194
Rentals	895	384	396	1,281	28	52
Repair and maintenance	2	0	2	769	8	14
Utilities, materials and supplies	196	9	26	105	45	74
Acquisition of land, buildings and works	989	0	0	0	0	0
Acquisition of machinery and equipment	338	28	52	270	122	170
Transfer payments	31,755	4,220	5,348	46,312	6,273	8,492
Other subsidies and payments	637	3	4	11	4	9
Total gross budgetary expenditures	**47,749**	**7,425**	**13,930**	**61,203**	**10,130**	**17,283**
Less Revenues netted against expenditures:						
Total Revenues netted against expenditures	0	0	0	0	0	0
Total net budgetary expenditures	**47,749**	**7,425**	**13,930**	**61,203**	**10,130**	**17,283**